



General Assembly

February Session, 2014

Governor's Bill No. 5053

LCO No. 645



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:

REP. SHARKEY, 88th Dist.

REP. ARESIMOWICZ, 30th Dist.

SEN. WILLIAMS, 29th Dist.

SEN. LOONEY, 11th Dist.

**AN ACT STRENGTHENING CONNECTICUT'S INSURANCE INDUSTRY
COMPETITIVENESS.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) Upon compliance with the
2 requirements and completion of the proceedings prescribed by
3 sections 2 to 18, inclusive, of this act, a domestic mutual insurance
4 company may be reorganized as a domestic stock insurer owned,
5 directly or indirectly, by a mutual holding company.

6 Sec. 2. (NEW) (*Effective from passage*) As used in sections 1 to 18,
7 inclusive, of this act:

8 (1) "Adoption date" means the date the board of directors approves
9 the plan of reorganization.

10 (2) "Articles of incorporation" or "charter" means a corporation's

11 articles of incorporation, including any special act of incorporation, as
12 from time to time amended.

13 (3) "Commissioner" means the Insurance Commissioner.

14 (4) "Converted holding company" means the stock corporation into
15 which a mutual holding company has been converted in accordance
16 with the provisions of section 16 of this act.

17 (5) "Effective date" means the date upon which the reorganization of
18 the mutual insurer is effective, as provided in subsection (a) of section
19 6 of this act.

20 (6) "Equity rights" means rights in the equity of a mutual holding
21 company conferred by law or such company's articles of incorporation,
22 including rights to participate in any distribution of equity or assets
23 whether or not incident to a liquidation of the mutual holding
24 company. Equity rights shall not include any right expressly conferred
25 solely by the terms of a policy.

26 (7) "Institution" means a corporation, joint stock company, limited
27 liability company, association, voluntary association of the type
28 commonly known as a business trust, partnership or any similar entity.

29 (8) "Intermediate stock holding company" means an institution at
30 least fifty-one per cent of the voting stock of which is owned, directly
31 or through another intermediate stock holding company, by a mutual
32 holding company and which owns, directly or indirectly, not less than
33 fifty-one per cent of the voting stock of at least one reorganized
34 insurer.

35 (9) "Member" means a person entitled to vote at meetings of a
36 mutual company under such company's charter or by-laws or any
37 general or special law.

38 (10) "Membership interests" means all interests of members of a
39 mutual holding company arising under any special or general law and

40 the charter and by-laws of the mutual holding company or otherwise
41 by law.

42 (11) "Mutual company" means a mutual life insurer, mutual insurer
43 other than life, or mutual holding company.

44 (12) "Mutual holding company" means a corporation organized
45 under sections 1 to 18, inclusive, of this act, the articles of
46 incorporation of which contain provisions to the following effect:

47 (A) It is a mutual holding company organized under sections 1 to
48 18, inclusive, of this act.

49 (B) One purpose of such mutual holding company is to own,
50 directly or through one or more intermediate stock holding companies,
51 not less than fifty-one per cent of the voting stock of one or more
52 reorganized insurers.

53 (C) It is not authorized to issue voting stock.

54 (D) Its members have the rights specified in subsections (a) to (n),
55 inclusive, of section 6 of this act and in its articles of incorporation and
56 by-laws.

57 (E) Its assets and liabilities are, to the extent provided in sections 1
58 to 18, inclusive, of this act, subject to inclusion in the estate of the
59 reorganized insurer in any proceedings successfully prosecuted
60 against the reorganized insurer under chapter 704c of the general
61 statutes.

62 (13) "Mutual insurer" means, in the case of a plan of reorganization
63 under sections 1 to 18, inclusive, of this act, the mutual life insurer or
64 mutual insurer other than life that is reorganizing pursuant to such
65 plan.

66 (14) "Person" means an individual, partnership, firm, association,
67 corporation, joint-stock company, limited liability company, limited

68 liability partnership, trust, government or governmental agency, state
69 or political subdivision of a state, public or private corporation, board,
70 association, estate, trustee, or fiduciary, or any similar entity.

71 (15) "Plan of conversion" means a plan adopted by a mutual holding
72 company in compliance with section 16 of this act.

73 (16) "Plan of reorganization" means a plan adopted by a mutual
74 insurer in compliance with subsection (a) of section 3 of this act.

75 (17) "Policy" means an individual or group policy of insurance,
76 annuity contract or fidelity or surety bond issued by an insurer.

77 (18) "Policyholder" means the holder of a policy other than a
78 reinsurance contract.

79 (19) "Reorganized insurer" means the domestic stock insurer into
80 which a mutual insurer has been reorganized in accordance with the
81 provisions of sections 1 to 18, inclusive, of this act.

82 (20) "Reorganizing insurer" means for a plan of reorganization
83 under sections 1 to 18, inclusive, of this act, the mutual insurer that is
84 reorganizing under such a plan.

85 (21) "Stock purchase rights" means a nontransferable right granted
86 to each policyholder of the reorganized insurer, subject to any
87 exclusions or limitations authorized by law applicable to particular
88 classes of policyholders, who has been a policyholder for at least one
89 year prior to the effective date, to acquire stock in the reorganized
90 insurer if it conducts an initial public offering of voting stock or in any
91 intermediate stock holding company that conducts an initial public
92 offering of voting stock. No stock purchase right shall provide for a
93 purchase of less than fifty shares of the common stock being offered in
94 the public offering. The price per share shall be equal to the public
95 offering price. In the event that the exercise of such rights exceeds fifty
96 per cent of the number of shares being offered to the public, or such

97 lesser percentage as may be approved by the commissioner, exercise of
98 such stock purchase rights shall be subject to proration, subject to a
99 minimum of fifty shares.

100 (22) "Voting stock" means securities of any class or any ownership
101 interest having voting power for the election of directors, trustees, or
102 management of a person, other than securities having voting power
103 only because of the occurrence of a contingency. All references to a
104 specified percentage of voting stock of any person shall mean
105 securities having the specified percentage of the voting power in that
106 person for the election of directors, trustees, or management of that
107 person, other than securities having voting power only because of the
108 occurrence of a contingency.

109 Sec. 3. (NEW) (*Effective from passage*) (a) The plan of reorganization
110 shall include appropriate proceedings for amending the mutual
111 insurer's articles of incorporation to give effect to the reorganization
112 from a mutual insurer into a stock corporation. The plan of
113 reorganization shall be:

114 (1) Approved by vote of a three-fourths majority of the board of
115 directors;

116 (2) Submitted to the commissioner for consent in writing, subject to
117 the provisions of subsection (d) of this section, by an application
118 executed by an authorized officer of the reorganizing insurer and
119 accompanied by the following documents, or true and correct copies of
120 the documents:

121 (A) The proposed plan of reorganization;

122 (B) The proposed articles of incorporation of each corporation that is
123 a constituent corporation of the reorganization;

124 (C) The proposed by-laws of each corporation that is a constituent
125 corporation of the reorganization;

126 (D) A list of the officers and directors, together with their
127 biographies in the form customarily required by the commissioner, of
128 each corporation that is a constituent corporation of the reorganization;

129 (E) The resolution of the board of directors of the mutual insurer,
130 certified by the secretary of the mutual insurer, authorizing the
131 reorganization under sections 1 to 18, inclusive, of this act;

132 (F) Financial statements in a form acceptable to the commissioner
133 giving effect to the reorganization for the mutual holding company
134 and any entities which will be subsidiaries of the mutual holding
135 company after the reorganization and which will experience a change
136 in capitalization due to the reorganization;

137 (G) A draft of materials to be mailed to members seeking their
138 approval of the plan, including a summary of the plan of
139 reorganization; and

140 (H) Other relevant information that the commissioner may require;

141 (3) Approved by a vote of not less than two-thirds of the members
142 of the mutual insurer voting at a meeting of the members called for
143 that purpose, subject to the provisions of subsection (e) of this section;

144 (4) Filed with the commissioner after receipt of the commissioner's
145 consent, and after having been approved as provided in subsection (d)
146 of this section.

147 (b) A plan of reorganization adopted pursuant to sections 1 to 18,
148 inclusive, of this act, shall demonstrate a purpose and specify reasons
149 for the proposed reorganization, and shall provide that the mutual
150 insurer will become a stock insurer, that the members of the mutual
151 insurer will become members of a mutual holding company, that the
152 owners of policies issued by the reorganizing insurer and in force on
153 the effective date shall as of the effective date have equity rights in the
154 mutual holding company, and that the mutual holding company will

155 acquire, directly or through one or more intermediate stock holding
156 companies, at least fifty-one per cent of the voting stock of the
157 reorganized insurer.

158 (c) The commissioner shall hold a public hearing upon the fairness
159 of the terms and conditions of the plan of reorganization, the reasons
160 and purposes for the reorganization of the mutual insurer, and
161 whether the reorganization is in the best interest of said mutual insurer
162 and is fair and equitable to its policyholders, and not detrimental to the
163 insuring public. Notice stating the time, place and purpose of the
164 hearing shall be mailed by the reorganizing insurer to each eligible
165 policyholder, at his last known address as shown on the records of the
166 reorganizing insurer, except in instances where mailing of notice is not
167 feasible as determined by the commissioner. Such notice shall be
168 mailed at least sixty days prior to the date of the hearing. Such notice
169 shall be preceded or accompanied by a true and complete copy of the
170 plan, or by a summary thereof approved by the commissioner, and
171 such other explanatory information as the commissioner shall approve
172 or require. In addition, the reorganizing insurer shall give notice of the
173 time, place and purpose of the hearing by publication in three
174 newspapers of general circulation, one in the county in which the
175 reorganizing insurer has its principal office and two in other cities
176 within or without the state approved by the commissioner. Such
177 newspaper publications shall be made not less than fifteen days nor
178 more than sixty days prior to the hearing, and shall be in a form
179 approved by the commissioner. The directors, officers, employees and
180 policyholders of the reorganizing insurer shall have the right to appear
181 and be heard at the hearing.

182 (d) The commissioner shall, after the public hearing required by
183 subsection (c) of this section, approve the plan of reorganization if he
184 finds that: The proposed reorganization is in the best interests of the
185 reorganizing insurer; the plan is fair and equitable to the reorganized
186 insurer's policyholders; the plan provides for the enhancement of the
187 operations of the reorganizing insurer; the plan will not substantially

188 lessen competition in any line of insurance business and, when
189 completed, provides for the reorganized insurer's paid in capital stock
190 to be in an amount at least equal to the minimum paid in capital stock
191 and the net surplus required of a new domestic stock insurer upon its
192 initial authorization to transact like kinds of insurance; and, the plan
193 complies with the requirements of sections 1 to 18, inclusive, of this
194 act. The commissioner shall approve or disapprove the plan in writing
195 on or before sixty days after the conclusion of the public hearing
196 required by subsection (c) of this section. The commissioner, if he
197 determines that the plan of reorganization is not fair and equitable to
198 the policyholders, may request that the reorganizing insurer modify
199 said plan prior to his approval or disapproval of said plan; provided,
200 however, that such request does not prevent the reorganizing insurer
201 from withdrawing said plan pursuant to subsections (a) to (n),
202 inclusive, of section 6 of this act. If approval is denied, the denial shall
203 be in writing setting forth a statement of the reasons therefor and the
204 reorganizing insurer shall have the right to a hearing before the
205 commissioner within thirty days of the date of such denial.

206 (e) The meeting of members prescribed by subdivision (3) of
207 subsection (a) of this section shall be called by the board of directors,
208 the chairperson of the board or the president of the reorganizing
209 insurer. Notice stating the date, time and place of the meeting shall be
210 mailed by the reorganizing insurer to its policyholders at their last
211 known addresses as shown on the records of the reorganizing insurer,
212 except in instances where mailing of notice is not feasible as
213 determined by the commissioner, and notice given to the holder of a
214 policy shall constitute notice to the member whose membership arises
215 from the policy. Said meeting shall be held no sooner than thirty days
216 after the date of the public hearing pursuant to this subsection. Said
217 notice shall be mailed at least sixty days prior to the date of said
218 meeting. Such notice may be combined with the notice of public
219 hearing mailed to policyholders pursuant to subsection (c) of this
220 section. Such notice shall be preceded or accompanied by a true and

221 complete copy of the plan, or by a summary thereof approved by the
222 commissioner, and such other explanatory information as the
223 commissioner shall approve or require including financial statements
224 as described in subparagraph (D) of subdivision (2) of subsection (a) of
225 this section, a description of material risks and benefits to
226 policyholders' interests, and any information pertaining to an offering
227 of stock to the public included in the provisions of the plan of
228 reorganization submitted to the commissioner as described in section
229 11 of this act. Each member entitled to vote on the plan of
230 reorganization shall vote by written ballot cast in person or by mail or
231 by a proxy agent duly appointed by the member. Persons entitled to
232 vote on the plan of reorganization shall be those persons whose names
233 appear on the reorganizing insurer's records as members on the
234 adoption date.

235 (f) The commissioner shall have the power to supervise and direct
236 and prescribe the rules governing the procedure for the conduct of
237 voting on the proposal to such extent, consistent with the provisions of
238 sections 1 to 18, inclusive, of this act, as he deems necessary to insure a
239 fair and accurate vote. Such powers shall include, but not be limited to,
240 power to supervise and regulate: (1) The determination of
241 policyholders entitled to notice of and to vote on the proposal; (2) the
242 giving of notice of the proposal; (3) the receipt, custody, safeguarding,
243 verification and tabulation of proxy forms and ballots; and (4) the
244 resolution of disputes.

245 Sec. 4. (NEW) (*Effective from passage*) No director, officer, agent or
246 employee of the reorganizing insurer, or any other person, shall
247 receive any fee, commission or other valuable consideration
248 whatsoever, other than his usual regular salary and compensation, for
249 in any manner aiding, promoting or assisting in such reorganization,
250 except as set forth in the plan of reorganization approved by the
251 commissioner. This section shall not be deemed to prohibit the
252 payment of reasonable fees and compensation to attorneys at law,
253 accountants and actuaries for services performed in the independent

254 practice of their professions, even though they may be directors of the
255 insurer.

256 Sec. 5. (NEW) (*Effective from passage*) At any time before the plan of
257 reorganization becomes effective as provided in subsections (a) to (n),
258 inclusive, of section 6 of this act, the mutual insurer may, by vote of a
259 three-fourths majority of the board of directors, withdraw or amend
260 the plan of reorganization. Any such plan amendment shall require the
261 written consent of the commissioner. For a plan amendment, all
262 references in sections 1 to 18, inclusive, of this act to the plan of
263 reorganization shall be deemed to refer to the plan as amended, but no
264 amendment shall be deemed to change the adoption date of the plan of
265 reorganization. No amendment may change the plan of reorganization
266 in a manner that the commissioner determines is prejudicial to the
267 policyholders of the reorganizing insurer, unless a further hearing is
268 held on the plan as amended, if the amendment is made after the
269 initial public hearing, or unless the plan as amended is submitted for
270 reconsideration by the members, if the amendment is made after the
271 plan has been approved by the members.

272 Sec. 6. (NEW) (*Effective from passage*) (a) Upon consent by the
273 commissioner to the plan of reorganization of a mutual insurer and
274 filing of the plan of reorganization in accordance with the provisions of
275 subdivision (4) of subsection (a) of section 3 of this act, the
276 commissioner shall issue a new certificate of authority to the
277 reorganized insurer and approve the articles of incorporation of the
278 mutual holding company and amended articles of incorporation of the
279 reorganized insurer for filing with the Secretary of the State by
280 attaching thereto a certificate of approval in such form as the
281 commissioner may prescribe. The plan of reorganization shall be
282 effective upon the filing of the articles of incorporation of the mutual
283 holding company and amended articles of incorporation of the
284 reorganized insurer with the Secretary of the State or upon such later
285 date as is specified in the plan of reorganization and amended articles
286 of incorporation of the reorganized insurer; provided, however, that

287 such later date shall not be more than thirty days after the filing of the
288 articles of incorporation of the mutual holding company with the
289 Secretary of the State.

290 (b) (1) Upon the effective date of a plan of reorganization:

291 (A) The reorganizing insurer immediately shall become a domestic
292 stock insurer and shall be a continuation of the corporate existence of
293 the reorganizing insurer, and for all purposes of this chapter, its
294 articles of incorporation shall be the amended articles of incorporation
295 filed in accordance with subsection (a) of this section, as they may
296 thereafter be amended in accordance with sections 1 to 18, inclusive, of
297 this act;

298 (B) All rights of any person to vote, including the right to vote in the
299 election of directors or at annual or special meetings of the
300 reorganizing insurer, or to share in any distribution of, or to receive
301 consideration based upon, the surplus of the reorganizing insurer in
302 liquidation or winding up, in dissolution or conservation or otherwise
303 under the general statutes or the charter or by-laws of the mutual
304 company or otherwise by law, shall be extinguished; provided,
305 however, that rights expressly conferred solely by the terms of a
306 policy, except the right to vote, shall not be extinguished;

307 (C) The members of the reorganizing insurer on such effective date
308 shall immediately become members of the mutual holding company;
309 provided, however, that, the rights of a person as a member shall
310 continue only so long as the related policy remains in force;

311 (D) Owners of policies that make provision for the right to vote
312 issued by the reorganizing insurer and in force on the effective date
313 shall as of the effective date have equity rights in the mutual holding
314 company; provided, however, that, the rights of a person as a holder of
315 equity rights shall continue only so long as the related policy remains
316 in force; and

317 (E) All of the voting stock initially issued by the reorganized insurer
318 shall be owned, directly or through one or more intermediate stock
319 holding companies, by the mutual holding company.

320 (2) Owners of policies that make provision for the right to vote that
321 are issued after the effective date by the reorganized insurer shall be
322 members of the mutual holding company and holders of equity rights
323 in the mutual holding company. The rights of a person as a member of
324 a mutual holding company or as holder of equity rights shall continue
325 only so long as the related policy remains in force. Any person may be
326 a member of a mutual holding company.

327 (c) From the effective date of a plan of reorganization, at least fifty-
328 one per cent of the issued and outstanding voting stock of the
329 reorganized insurer shall be owned by the mutual holding company or
330 an intermediate stock holding company, and at least fifty-one per cent
331 of the issued and outstanding voting stock of any intermediate stock
332 holding company shall be owned by the mutual holding company or
333 another intermediate stock holding company. For purposes of these
334 calculations, any issued and outstanding securities of the reorganized
335 insurer or any intermediate stock holding company that are
336 convertible into voting stock are considered issued and outstanding
337 voting stock.

338 (d) So far as pertinent and not in conflict with the express provisions
339 of this chapter, with other provisions of law relative to mutual holding
340 companies or with their charters:

341 (1) The mutual holding company shall not engage in the insurance
342 business;

343 (2) The mutual holding company and its subsidiaries and affiliates
344 shall be a members of an "insurance holding company system" within
345 the meaning of sections 38a-129 to 38a-140, inclusive, of the general
346 statutes;

347 (3) The general principles of law relative to the powers, duties and
348 liabilities of corporations shall apply to all mutual holding companies;

349 (4) The mutual holding company shall within thirty days after the
350 adoption of any amendment to its by-laws, file with the commissioner
351 a copy of such amendment, certified under its corporate seal by its
352 secretary;

353 (5) The mutual holding company shall not make any payment of
354 income, dividends contingent upon an apportionment of profits, or
355 any other distribution of profits, except to the limited extent provided
356 in the mutual holding company articles of incorporation or as
357 otherwise directed or approved by the commissioner. The
358 commissioner shall, subject to the specific authority granted by this act,
359 retain jurisdiction at all times over a mutual holding company to
360 assure that the reorganizing insurer's policyholders' interests are
361 protected.

362 (e) Members of the mutual holding company shall be notified of the
363 annual meetings of the mutual holding company by written notice to
364 all policyholders of the reorganized insurer by first class mail at least
365 sixty days in advance of an annual meeting.

366 (f) Every member of the mutual holding company shall be entitled
367 to one vote; provided, unless otherwise provided in the charter or by-
368 laws of the reorganizing insurer.

369 (g) Members of the mutual holding company may vote by proxies
370 dated and executed within three months of, and returned and
371 recorded on the books of the company seven days or more before, the
372 meeting at which they are to be used.

373 (h) Any required member approval shall be by the affirmative vote
374 of a majority of the members of the mutual holding company who
375 vote, or a higher percentage of the members as may be required by law
376 or the articles of incorporation.

377 (i) The articles of incorporation or the by-laws of the mutual holding
378 company may provide that the directors may be divided into two or
379 more classes whose terms of office shall expire at different times. No
380 term shall continue longer than six years. In the absence of such
381 provisions, each director shall be elected for a term of one year. All
382 directors shall hold office for the term for which they are elected and
383 until their successors are elected and qualified. Vacancies in the board
384 of directors may be filled by a majority of the remaining directors,
385 though less than a quorum. Each director so elected shall hold office
386 until the next annual meeting.

387 (j) For a period of ten years from the effective date of a plan of
388 reorganization, if any proceedings under section 6 of this act or under
389 chapter 704c of the general statutes, are brought naming as a party a
390 stock insurer created as a result of proceedings authorized by sections
391 1 to 18, inclusive, of this act, the mutual holding company formed as
392 part of the reorganization shall become a party to the proceedings. The
393 assets of the mutual holding company, including, but not limited to, its
394 interest in any intermediate stock holding company formed pursuant
395 to this section, shall be deemed assets of the estate of the reorganized
396 insurer to the extent necessary to satisfy claims of persons against the
397 reorganized insurer who have claims falling within the priorities
398 established in subdivisions (1) to (4), inclusive, of subsection (a) of
399 section 38a-944 of the general statutes; provided, however, that in no
400 event shall a mutual holding company's contribution to the estate of a
401 reorganized insurer pursuant to this sentence exceed the value of
402 assets, net of liabilities, which such reorganized insurer transferred to
403 the mutual holding company or to one or more persons owned or
404 controlled by the mutual holding company pursuant to section 10 of
405 this act. Claims of persons in their capacity as members of the mutual
406 holding company shall have the same priority as members of a mutual
407 insurer authorized to do the same kinds of business as the reorganized
408 insurer would have upon the liquidation of such an insurer under
409 section 38a-944 of the general statutes. A mutual holding company

410 may not dissolve, liquidate, or wind up and dissolve without the prior
411 written approval of the commissioner or the court pursuant to
412 proceedings brought pursuant to under chapter 704c of the general
413 statutes.

414 (k) Membership interests in a mutual holding company shall not be
415 considered a security as that term is defined by section 36b-3 of the
416 general statutes. A description of the membership interests and related
417 factual disclosure shall not be considered to be an inducement to buy
418 insurance in violation of section 38a-816 or 38a-825 of the general
419 statutes, and receiving such description and related factual disclosure
420 shall not subject the receiver to the provisions of section 38a-825 of the
421 general statutes.

422 (l) A mutual holding company organized under this section may
423 hold, directly or indirectly, multiple subsidiaries, including multiple
424 intermediate stock holding companies, and an intermediate stock
425 holding company may hold multiple subsidiaries; directly or
426 indirectly, including multiple reorganized insurers.

427 (m) Notwithstanding any general or special law to the contrary, a
428 mutual holding company shall not be permitted to transfer its domicile
429 to any other state without the approval of the commissioner for a
430 period of five years after the effective date.

431 (n) If the total adjusted capital, as such term is defined in subsection
432 (d) of section 38a-72 of the general statutes and the implementing risk
433 based capital regulations, of the reorganized insurer is less than three
434 hundred per cent of its authorized control level risk based capital, as
435 such term is defined in the risk based capital regulations, as of any
436 calendar year-end after the reorganization effective date, then for so
437 long as such deficiency continues, the reorganized insurer shall not,
438 without prior notice to and review by the commissioner, make any
439 acquisitions of subsidiaries. The restrictions set forth above shall be for
440 the purpose of protecting the solvency of the reorganized insurer and

441 shall be in addition to any other restrictions imposed on such insurer
442 by the risk based capital regulations.

443 (o) The plan of reorganization or any plan of conversion adopted
444 pursuant to section 16 of this act may also include provisions
445 restricting the ability of any person or persons acting in concert from
446 directly or indirectly offering to acquire or acquiring the beneficial
447 ownership of ten per cent or more of any class of voting stock of the
448 reorganized insurer or converted holding company, as the case may
449 be, or any entity that, directly or indirectly, controls either.

450 Sec. 7. (NEW) (*Effective from passage*) (a) Notwithstanding any
451 general or special law to the contrary and except as otherwise
452 provided in subsections (c) and (d) of this section, actions concerning
453 any plan of reorganization, proposed plan of reorganization, or any
454 plan amendment or proposed plan amendment under section 5 or any
455 acts taken or proposed to be taken under this section, shall be
456 commenced within one year after the plan of reorganization or plan
457 amendment is filed with the commissioner pursuant to subdivision (4)
458 of subsection (a) of section 3 of this act, or, if the plan of reorganization
459 becomes effective, six months from the effective date of the plan of
460 reorganization, whichever is later. If the plan of reorganization is
461 withdrawn, such actions shall be commenced within six months from
462 the date the board of directors approves a resolution to withdraw the
463 plan. Actions concerning a plan amendment or proposed plan
464 amendment made under section 8 of this act shall be commenced
465 within one year after the plan amendment or proposed plan
466 amendment is filed with the commissioner pursuant to subdivision (4)
467 of subsection (b) of section 8 of this act, or if the amendment becomes
468 effective, six months from the effective date thereof, whichever is later.
469 If a plan amendment or proposed plan amendment made under said
470 section 8 of this act is withdrawn, such actions shall be commenced
471 within six months from the date the board of directors approves a
472 resolution to withdraw the plan. Actions arising out of either a transfer
473 of assets or liabilities pursuant to section 10 of this act or an offering of

474 voting stock pursuant to section 11 of this act, which transfer or
475 offering is not contemplated by the plan must be commenced within
476 one year from such transfer or offering. Actions concerning any plan of
477 conversion or proposed plan of conversion under section 16 of this act
478 or any acts taken or proposed to be taken under section 16 of this act
479 shall be commenced within one year after the plan of conversion is
480 filed with the commissioner pursuant to section 16 of this act or six
481 months from the effective date of the plan of conversion, whichever is
482 later.

483 (b) In any action referred to in subsection (a) of this section, any
484 party adverse to the mutual holding company shall be required, upon
485 motion of the mutual holding company, reorganizing insurer,
486 reorganized insurer or an intermediate stock holding company which
487 establishes to the satisfaction of the court that a substantial likelihood
488 exists that such action is brought without merit and with an intention
489 to delay or harass, at any stage of the proceedings before final
490 judgment, to give adequate security for the damages and reasonable
491 expenses, including attorneys' fees, which may be incurred as a result
492 of, or in connection with, such action by such company and by any
493 other defendants in such action or for which such company may
494 become liable, to which security the mutual holding company,
495 reorganizing insurer, reorganized insurer or an intermediate stock
496 holding company shall have recourse in such amount as the court
497 determines upon the termination of such action. The amount of
498 security may from time to time be increased or decreased in the
499 discretion of the court upon a showing that the security provided has
500 or may become inadequate or excessive.

501 (c) Notwithstanding any general or special law to the contrary, any
502 action seeking a stay, restraining order, injunction or similar remedy to
503 prevent or delay the closing of any transaction pursuant to sections 1
504 to 18, inclusive, of this act or of any transaction described in a plan of
505 reorganization or plan of conversion shall be commenced within thirty
506 days after, as applicable, the approval of the plan of reorganization by

507 the commissioner pursuant to subsection (d) of section 3 of this act, the
508 approval of the commissioner pursuant to section 10 or 11 of this act or
509 approval of the plan of conversion by the commissioner pursuant to
510 section 16 of this act.

511 (d) Any action or proceeding against the commissioner or any other
512 governmental body or officer in connection with any act taken or order
513 issued pursuant to sections 1 to 18, inclusive, of this act shall be
514 commenced within thirty days from the date of such act or signing of
515 such order.

516 Sec. 8. (NEW) (*Effective from passage*) (a) The amended articles of
517 incorporation of a reorganized insurer that have been adopted
518 pursuant to a plan of reorganization and filed with the Secretary of the
519 State in accordance with subsections (a) to (n), inclusive, of section 6 of
520 this act may be further amended after the effective date pursuant to the
521 provisions of the Connecticut Business Corporation Act.

522 (b) The plan of reorganization may be amended in other respects
523 after the effective date of such plan as specified in this section. Such an
524 amendment shall take effect upon filing with the Secretary of the State
525 after compliance with the following:

526 (1) Approval by a vote of a majority of the board of directors of the
527 reorganized insurer;

528 (2) Submission to the commissioner for consent in writing, subject to
529 the provisions of subsection (a) of section 3 of this act;

530 (3) Approval by a majority of those who vote at a meeting of
531 members of the mutual holding company eligible to vote thereon
532 called for the purpose of considering the amendment to the plan.
533 Members eligible to vote thereon shall be members of the mutual
534 holding company who were members of the former mutual insurer
535 and were entitled to vote on the original plan of reorganization; and

536 (4) Filed with the commissioner after having been consented to and
537 approved as contemplated by subdivisions (2) and (3) of this
538 subsection.

539 (c) If an amendment proposed under subsection (b) of this section
540 would adversely affect the rights of one or more classes of members,
541 but not all such members, then only the members of each class whose
542 rights would be adversely affected by the proposed amendment are
543 entitled to vote on the proposed plan amendment.

544 (d) A member meeting prescribed by subdivision (3) of subsection
545 (b) of this section shall be called by the board of directors, the
546 chairperson of the board, or the president of the reorganized company.
547 Voting shall be in person, by proxy or by mail at a meeting of members
548 called for that purpose pursuant to the mutual holding company's
549 articles of incorporation and by-laws.

550 (e) At any time before the plan amendment becomes effective, the
551 reorganized company may, by vote of a majority of the board of
552 directors, amend the plan amendment or withdraw its plan
553 amendment. For an amendment to a plan amendment, all references in
554 sections 1 to 18, inclusive, of this act to the plan amendment shall be
555 deemed to refer to the plan amendment as amended. Any amendment
556 of the plan amendment shall require the written consent of the
557 commissioner. No amendment shall be deemed to change the date of
558 adoption of the plan amendment. No amendment made after approval
559 by the members as provided in subdivision (3) of subsection (b) of this
560 section may change the plan amendment in a manner that the
561 commissioner determines is prejudicial to any of the affected members
562 unless the plan amendment as amended is submitted for
563 reconsideration under the procedures prescribed in this section for the
564 original plan amendment.

565 Sec. 9. (NEW) (*Effective from passage*) If the name of a mutual insurer
566 reorganizing to a stock insurer pursuant to sections 1 to 18, inclusive,

567 of this act includes the word mutual, the new stock insurer may
568 continue to use the word mutual in its name unless the commissioner
569 finds that the continued use of the word mutual in its name is likely to
570 mislead or deceive the public.

571 Sec. 10. (NEW) (*Effective from passage*) A reorganized insurer may,
572 either pursuant to the plan of reorganization or upon the prior
573 approval of the commissioner, on any one or more occasions on or
574 after the effective date, transfer assets or liabilities, including any one
575 or more of its subsidiaries, to the mutual holding company or to one or
576 more persons owned or controlled by the mutual holding company;
577 provided, however, that in any such transfer, in either a single instance
578 or in the aggregate, the liabilities so transferred may not be greater
579 than the assets so transferred. The commissioner shall approve such a
580 proposed transfer unless the commissioner finds that the transfer
581 would materially adversely affect the ability of the reorganized insurer
582 to meet its obligations under its policies. If such a transfer is to be
583 made upon the prior approval of the commissioner rather than under a
584 plan of reorganization, the other provisions of sections 1 to 18,
585 inclusive, of this act including, without limitation, the requirement of
586 filing a plan of reorganization, shall not apply. The provisions of
587 section 38a-136 of the general statutes shall not apply to any transfer
588 effected pursuant to this section.

589 Sec. 11. (NEW) (*Effective from passage*) (a) The offering of voting stock
590 by the reorganized insurer or intermediate stock holding company to
591 any person other than the mutual holding company or a wholly owned
592 subsidiary thereof, which offering is the first to occur after the effective
593 date of the plan of reorganization, shall be made only in accordance
594 with such provisions as the plan of reorganization may contain
595 governing such a first offering, or with the prior approval of the
596 commissioner after submission of an application by the proposed
597 issuer. The commissioner shall approve any such application unless he
598 finds, in the case of a public offering, that the offering would not be
599 conducted in a manner generally consistent with customary practices

600 for initial public offerings, to the extent reasonably comparable, or, in
601 the case of any other offering, that the offering would be prejudicial to
602 the members of the mutual holding company. None of the foregoing
603 shall be deemed to prohibit the filing of a registration statement with
604 the Securities and Exchange Commission and the Secretary of the State
605 prior to such approval.

606 (b) For purposes of this section, any securities of the reorganized
607 insurer or any intermediate stock holding company that are
608 convertible into voting stock shall be considered voting stock.

609 Sec. 12. (NEW) (*Effective from passage*) (a) In the case of a
610 reorganizing insurer that is a mutual life insurer, upon the effective
611 date the reorganizing insurer shall, at its option, either:

612 (1) (A) Establish a closed block, for policyholder dividend purposes
613 only, consisting of all of the participating individual policies of the
614 reorganizing insurer in force on the effective date and for which the
615 insurer had an experience based dividend scale payable in the year in
616 which the plan of reorganization was adopted, to which, on or before
617 the effective date, shall be allocated assets of the insurer in an amount
618 that produces cash flows, together with anticipated revenues from the
619 closed block business, expected to be sufficient to support the closed
620 block business including provision for payment of claims and those
621 expenses and taxes specified in the plan of reorganization and to
622 provide for continuation of dividend scales in effect on the adoption
623 date, if the experience underlying such scales continues, provided that
624 no policies entering into force after the effective date will be included
625 in the closed block; and

626 (B) The terms for the establishment of the closed block may provide
627 for conditions under which, with the approval of the commissioner,
628 the reorganized insurer may cease to maintain the closed block and
629 allocation of assets thereto, but regardless of such a cessation the
630 policies constituting closed block business shall remain obligations of

631 the reorganized insurer and dividends on such policies shall be
632 apportioned by the board of directors of the reorganized insurer in
633 accordance with the terms of such policies and contracts and
634 applicable provisions of any general or special law; or

635 (2) Provide as to participating individual policies of the
636 reorganizing insurer in such manner as the commissioner may
637 approve if he determines that such alternative is substantially as
638 protective of the interests of individual participating policyholders as
639 the establishment of a closed block pursuant to subdivision (1) of this
640 subsection.

641 (b) The purpose of the closed block or of the alternate method so
642 approved by the commissioner pursuant to subdivision (2) of
643 subsection (a) of this section shall be to protect the contractual rights of
644 the policyholders who own policies as of the effective date. The equity
645 interest of the policyholders of the reorganized insurer shall be equal,
646 in the aggregate, to the value of the entire capital and surplus of the
647 mutual holding company, excluding any funds required to be held in
648 segregated accounts by federal statute, and shall be the basis for
649 consideration to policyholders in the event the mutual holding
650 company converts into a domestic stock corporation as set forth in
651 subsection (f) of section 16 of this act.

652 (c) As of the end of the third year following the year of conversion
653 and as of the end of each third year thereafter, or more frequently as
654 determined by the commissioner, an independent accounting or
655 actuarial firm shall attest to the commissioner, the board of directors of
656 the mutual holding company and the board of directors of the
657 reorganized insurer on whether or not the closed block and related
658 assets, or practice provided for in subdivision (2) of subsection (a) of
659 this section, has been administered in accordance with the plan of
660 conversion approved by the commissioner. Such firm shall take into
661 consideration the dividend payments to policyholders resulting from
662 the closed block and any other relevant factors. The expenses incurred

663 in retaining the independent accounting or actuarial firm shall be paid
664 by the reorganized insurer. The work of the independent accounting or
665 actuarial firm shall be completed and delivered to the commissioner,
666 the board of directors of the mutual holding company and the board of
667 directors of the reorganized insurer by the close of business on the first
668 day of April following the end of the period for which a report is being
669 provided.

670 Sec. 13. (NEW) (*Effective from passage*) (a) Other requirements
671 applicable to a reorganizing insurer, an intermediate stock holding
672 company and a mutual holding company shall be as follows:

673 (1) Notwithstanding any other provision of the general statutes,
674 nothing in this section shall be deemed to prohibit provisions under
675 which the officers, directors, employees, agents, and employee benefit
676 plans of the mutual holding company, reorganizing insurer or an
677 intermediate stock holding company, for their benefit, may be entitled,
678 in accordance with reasonable classifications of those individuals and
679 employee benefit plans, to purchase for cash, at the same price as
680 offered to the public in any public offering, voting stock issued by the
681 reorganized insurer or any intermediate stock holding company.
682 Subject to limitations set forth in this section, nothing in sections 1 to
683 18, inclusive, of this act shall be deemed to prohibit the establishment
684 of stock option, incentive, and share ownership plans customary for
685 publicly traded companies;

686 (2) Until six months after the completion of either an initial public
687 offering, private equity placement or the first issuance of public or
688 private stock or securities convertible into voting stock of the
689 reorganized insurer or the intermediate stock holding company to any
690 person other than the mutual holding company or an intermediate
691 stock holding company, neither an intermediate stock holding
692 company nor the reorganized insurer shall award any stock options or
693 stock grants to persons who are officers or directors of the mutual
694 holding company, an intermediate stock holding company or the

695 reorganized insurer; provided, however, that, if a reorganized insurer
696 or its intermediate stock holding company distributes stock purchase
697 rights to the policyholders of a reorganized insurer in connection with
698 a public offering of stock, then directors and officers who are
699 policyholders of such reorganized insurer shall receive and may
700 exercise such stock purchase rights on the same basis as all other such
701 policyholders;

702 (3) Until two years after the six month period referred to in
703 subdivision (2) of this subsection, the officers, directors and outside
704 directors of the mutual holding company, an intermediate stock
705 holding company and of the reorganized insurer may not own
706 beneficially, in the aggregate, more than five per cent of the voting
707 stock of the intermediate stock holding company or the reorganized
708 insurer;

709 (4) The officers and directors of the mutual holding company, an
710 intermediate stock holding company or the reorganized insurer shall
711 not own beneficially, in the aggregate, more than eighteen per cent of
712 the voting stock of the intermediate stock holding company or the
713 reorganized insurer; provided, however, that the commissioner may,
714 in the event of a distress situation find that beneficial ownership of
715 more than eighteen per cent is necessary and appropriate;

716 (5) In no event shall any person, directly or indirectly, offer to
717 acquire or acquire in any manner beneficial ownership of more than
718 ten per cent of any class of voting securities of the reorganized insurer,
719 any intermediate stock holding company or any other institution
720 which owns, directly or indirectly, a majority of the voting securities of
721 the reorganized insurer without the prior approval of the
722 commissioner;

723 (6) If the mutual holding company elects to cause an intermediate
724 stock holding company or the reorganized insurer to conduct an initial
725 public offering or initial private equity placement or the initial

726 issuance of voting stock or securities convertible into voting stock of
727 the reorganized insurer or the intermediate stock holding company, it
728 shall, subject to any limitations necessary or appropriate under law
729 applicable to particular classes of policyholders, cause each eligible
730 person to receive stock purchase rights in connection with such initial
731 offering unless a committee of its board of directors consisting of its
732 outside directors determines, by vote of at least two-thirds of the
733 members of such committee, that a stock purchase rights offering
734 would not be in the best interests of its policyholders. Such
735 determination shall be approved by the commissioner;

736 (7) Any voting stock or securities convertible into voting stock held
737 by officers and directors of the mutual holding company, the
738 intermediate stock holding company and the reorganized insurer shall
739 not be sold for a period of at least one year following the date of the
740 initial offering of such securities, except in the event of death or
741 disability of such officer or director.

742 (b) Nothing in sections 1 to 18, inclusive, of this act shall prevent the
743 mutual holding company, the intermediate stock holding company or
744 the reorganized insurer from issuing stock of the intermediate stock
745 holding company or the reorganized insurer to a trust established in
746 connection with an employee stock ownership plan or other employee
747 benefit plan established for the benefit of the employees of the mutual
748 holding company, the intermediate stock holding company or the
749 reorganized insurer and qualified under the Internal Revenue Code.
750 No individual may receive more than twelve and one-half per cent of
751 any such plan and directors who are not employees shall not receive
752 more than two and one-half per cent of the stock individually or fifteen
753 per cent in the aggregate of any plan but in no event shall any
754 individual exceed the limitation on ownership contained in
755 subdivision (4) of subsection (a) of this section. The voting shares
756 initially issued to employee stock ownership plans or other employee
757 benefit plans, in the aggregate, shall not exceed five per cent of the
758 voting shares initially issued.

759 (c) For purposes of this section, an officer shall mean a person
760 elected as an officer by the board of directors of the mutual holding
761 company, an intermediate stock holding company or the reorganized
762 insurer.

763 (d) For purposes of this section, an outside director is a director of
764 the mutual holding company, the intermediate stock holding company
765 or the reorganized insurer who is not an officer or employee of either
766 the mutual holding company, the intermediate stock holding company
767 or the reorganized insurer.

768 Sec. 14. (NEW) (*Effective from passage*) (a) Two or more mutual
769 holding companies, at least one of which is a domestic company, may
770 merge or consolidate under the laws of any state of the United States,
771 into a mutual holding company incorporated under the laws of such
772 state. The resulting corporation may be a continuing corporation under
773 the name of one or more of the merged or consolidated corporations or
774 a new corporation. If the continuing or new corporation is to be a
775 domestic corporation: (1) It shall be subject to the provisions of
776 sections 1 to 18, inclusive, of this act; (2) its name shall be subject to
777 approval by the commissioner; (3) the members of any mutual holding
778 company whose existence will cease upon the effectiveness of such
779 merger or consolidation shall become members of the continuing
780 mutual holding company; and (4) all persons with equity rights in any
781 mutual holding company whose existence will cease upon the
782 effectiveness of such merger or consolidation shall have equity rights
783 in the continuing mutual holding company.

784 (b) Companies merging or consolidating under this section shall
785 enter into a written agreement for such merger or consolidation
786 prescribing its terms and conditions. Such agreement shall be assented
787 to by a vote of the majority of the board of directors of each domestic
788 company participating in such merger or consolidation and approved
789 by the votes of at least two-thirds of the members of such company as
790 are present and voting at a special meeting called for the purpose,

791 notice of which meeting shall be given to such persons and in such
792 manner as provided by the commissioner. Such agreement shall be
793 subject to the written approval of the commissioner, who may consider
794 the fairness of the terms and conditions of the agreement, whether the
795 interests of the members of each domestic mutual holding company
796 that is a party to the agreement are protected, and whether the
797 proposed merger or consolidation is in the public interest.

798 (1) If the continuing or new mutual holding company is to be a
799 domestic company, such agreement shall be executed in duplicate by
800 the president and secretary and by a majority of the board of directors
801 of each company under its corporate seal, shall be accompanied by
802 copies of the resolutions authorizing the merger or consolidation and
803 the execution of the agreement attested by the recording officer of each
804 company and shall, with the records of the companies pertaining
805 thereto, be submitted to the commissioner. If it appears that the
806 requirements of this section have been complied with, the
807 commissioner may so certify and approve the agreement by the
808 commissioner's endorsement thereon. One of the duplicates of such
809 agreement shall thereupon be filed with the Secretary of the State, who
810 shall cause the same to be recorded and shall issue a certificate of
811 reincorporation to the continuing company or the new company with
812 the powers retained and specified in the agreement, and the other
813 duplicate shall be retained by the commissioner. No such agreement
814 shall take effect until it has been filed with the Secretary of the State.

815 (2) If the continuing or new company is to be a foreign company,
816 such agreement, and such other information as the commissioner may
817 require, shall be filed with the commissioner and shall not be executed
818 until approved by the commissioner. Upon the execution of such
819 agreement, the new or continuing company shall file with the
820 commissioner, in such form as the commissioner may require,
821 documentary evidence thereof, showing the date when the merger or
822 the consolidation shall become effective. If the commissioner finds that
823 such agreement has been executed in accordance with the

824 commissioner's authorization, the commissioner shall file forthwith
825 with the Secretary of the State a certificate setting forth the fact,
826 including said effective date, and the corporate existence of such
827 company shall cease and determine on said effective date.

828 (c) No action or proceeding pending in any court of the state at the
829 time of the merger or consolidation in which any such domestic
830 company may be a party shall abate or be discontinued by reason of
831 the merger or the consolidation, but may be prosecuted to final
832 judgment in the same manner as if the merger or the consolidation had
833 not taken place, or the continuing, surviving or resulting company
834 may be substituted in place of any such domestic company by order of
835 the court in which the action or proceeding is pending.

836 (d) If the new or continuing company is a domestic company, upon
837 such merger or consolidation all rights and properties of the several
838 companies shall accrue to and become the property of the continuing
839 corporation or the new company which shall succeed to all the
840 obligations and liabilities of the merged or consolidated companies, in
841 the same manner as if they had been incurred or contracted by it.

842 (e) Nothing in this subsection shall authorize the merger or
843 consolidation of stock companies with mutual holding companies.

844 Sec. 15. (NEW) (*Effective from passage*) (a) By complying with the
845 provisions of sections 1 to 18, inclusive, of this act, a domestic mutual
846 insurance company may reorganize with an existing domestic or
847 foreign mutual holding company, in which case the plan of
848 reorganization of the domestic mutual insurer shall provide that the
849 domestic mutual insurer will become a domestic stock insurer, that the
850 members of the domestic mutual insurer will become members of the
851 mutual holding company, that the owners of policies issued by the
852 domestic mutual insurer and in force on the effective date shall as of
853 the effective date have equity rights in the mutual holding company,
854 and that the mutual holding company will acquire, directly or through

855 one or more intermediate stock holding companies, at least fifty-one
856 per cent of the voting stock of the reorganized insurer.

857 (b) An existing domestic mutual holding company may, with the
858 approval of the commissioner:

859 (1) Acquire direct or indirect ownership of a converting foreign
860 mutual insurer that becomes a stock insurer in compliance with the
861 law of its state of domicile;

862 (2) Grant membership interests and equity rights to the members or
863 policyholders of a foreign mutual insurer that merges with a direct or
864 indirect domestic or foreign subsidiary of the domestic mutual holding
865 company and such a subsidiary, if it is a domestic insurer, may merge
866 with such a foreign mutual insurer pursuant to section 38a-153 of the
867 general statutes notwithstanding the provisions in section 38a-153 of
868 the general statutes to the effect that they do not authorize mergers
869 between mutual insurers and stock insurers.

870 (c) The commissioner may consider the fairness of the terms and
871 conditions of the transaction, whether the interests of the members of
872 each domestic mutual holding company that is a party to the
873 transaction are protected, and whether the proposed transaction is in
874 the public interest.

875 Sec. 16. (NEW) (*Effective from passage*) (a) A domestic mutual holding
876 company may convert into a domestic stock corporation pursuant to a
877 plan of conversion which complies with subsection (b) of this section.

878 (b) (1) The commissioner shall hold a public hearing upon the
879 fairness of the terms and conditions of the plan of conversion, the
880 reasons and purposes for the conversion of the mutual holding
881 company, and whether the conversion is in the best interest of said
882 mutual holding company and is fair and equitable to its members, and
883 not detrimental to the insuring public. Notice stating the time, place
884 and purpose of the hearing shall be mailed by the converting mutual

885 holding company to each policyholder, at his last known address as
886 shown on the records of the converting mutual holding company;
887 except in instances where mailing of notice is not feasible as
888 determined by the commissioner. Such notice shall be mailed at least
889 sixty days prior to the date of the hearing. Such notice shall be
890 preceded or accompanied by a true and complete copy of the plan, or
891 by a summary thereof approved by the commissioner, and such other
892 explanatory information as the commissioner shall approve or require.
893 In addition, the converting mutual holding company shall give notice
894 of the time, place and purpose of the hearing by publication in three
895 newspapers of general circulation, one in the county in which the
896 converting mutual holding company has its principal office and two in
897 other cities within or without the state approved by the commissioner;
898 such newspaper publications shall be made not less than fifteen days
899 nor more than sixty days prior to the hearing, and shall be in a form
900 approved by the commissioner. The directors, officers, employees and
901 policyholders of the reorganized insurer shall have the right to appear
902 and be heard at such hearing.

903 (2) The commissioner shall, after the public hearing required by
904 subdivision (1) of this subsection, approve the plan of conversion if he
905 finds that: the proposed conversion is in the best interests of the
906 converting mutual holding company; the plan is fair and equitable to
907 the policyholders of the reorganized insurer; the plan provides for the
908 enhancement of the operations of the converting mutual holding
909 company; the plan will not substantially lessen competition in any line
910 of insurance business and, when completed, complies with the
911 requirements of sections 1 to 18, inclusive, of this act. The
912 commissioner shall approve or disapprove the plan in writing on or
913 before sixty days after the conclusion of the public hearing required by
914 subdivision (1) of this subsection. If approval is denied, the denial shall
915 be in writing setting forth a statement of the reasons therefor and the
916 converting mutual holding company shall have the right to a hearing
917 before the commissioner within thirty days of the date of such denial.

918 (c) A proposal to approve the plan of conversion shall be submitted
919 to the members of the mutual holding company. Such plan shall be
920 approved by vote of not less than two-thirds of the votes of the
921 members of the converting mutual holding company voting thereon in
922 person, by proxy or by mail at a meeting of members called for that
923 purpose. Notice stating the date, time and place of the meeting shall be
924 mailed by the mutual holding company to the policyholders of the
925 reorganized insurer at their last known addresses as shown on the
926 records of the reorganizing insurer, except in instances where mailing
927 of notice is not feasible as determined by the commissioner, and notice
928 given to the holder of a policy shall constitute notice to the member of
929 the mutual holding company whose membership arises from the
930 policy. Such notice shall be mailed at least thirty days prior to the
931 meeting. Such notice may be combined with the notice of public
932 hearing as mailed to policyholders pursuant to subdivision (1) of
933 subsection (b) of this section. Such notice shall be preceded or
934 accompanied by a true and complete copy of the plan, or by a
935 summary thereof approved by the commissioner, and such other
936 explanatory information as the commissioner shall approve or require.
937 Each member entitled to vote on the plan of conversion shall vote by
938 written ballot cast in person or by mail or by proxy agent or agents
939 duly appointed by the member.

940 (d) The commissioner shall have the power to supervise and direct
941 and prescribe the rules governing the procedure for the conduct of
942 voting on the proposal to such extent, consistent with the provisions of
943 sections 1 to 18, inclusive, of this act as he deems necessary to ensure a
944 fair and accurate vote; such powers shall include, but not be limited to,
945 power to supervise and regulate (1) the determination of members
946 entitled to notice of and to vote on the proposal, (2) the giving of notice
947 of the proposal, (3) the receipt, custody, safeguarding, verification and
948 tabulation of proxy forms and ballots, and (4) the resolution of
949 disputes.

950 (e) Upon approval pursuant to this section, the conversion shall be

951 effective as of the date specified in the plan. Upon the effective date of
952 the plan of conversion, all membership interests and equity rights in
953 the mutual holding company shall be extinguished. On and after such
954 date, all the rights, franchises and interests of the mutual holding
955 company in and to every species of property shall be vested in the
956 converted holding company without any deed or transfer and the
957 converted holding company shall succeed to all the obligations and
958 liabilities of the mutual holding company.

959 (f) In exchange for equity rights in the mutual holding company,
960 such plan shall provide for appropriate consideration. Said
961 consideration shall be equal, in the aggregate, to the value of the entire
962 capital and surplus of the mutual holding company excluding any
963 funds required to be held in segregated accounts by federal statute and
964 shall be determinable under a fair and reasonable formula approved
965 by the commissioner. If the plan of conversion provides for the mutual
966 holding company to continue as a surviving corporation after the
967 conversion, then consideration to the policyholders shall be in the form
968 of stock, cash or other such form of compensation as is approved by
969 the commissioner. Distribution of all of the stock of the former mutual
970 holding company to eligible policyholders, or in the case of certain
971 eligible policyholders other consideration of equivalent value, shall
972 constitute appropriate consideration under sections 1 to 18, inclusive,
973 of this act. If the plan of conversion does not provide for the mutual
974 holding company to continue as a surviving corporation after the
975 conversion, then consideration payable shall be in such form as is
976 otherwise permitted in this section shall be distributed to eligible
977 policyholders.

978 (g) Such plan shall give each person holding equity rights a
979 preemptive right to acquire his proportionate part of all of the
980 proposed capital stock of the converted holding company, and to
981 apply upon the purchase thereof the amount of their consideration, as
982 determined under subsection (f) of this section, except that the plan
983 may provide that such person may not purchase or receive stock

984 pursuant to this section if it has an aggregate subscription price of two
985 thousand dollars or less and that such preemptive right will not apply
986 to such persons who reside in jurisdictions in which the issuance of
987 stock is impossible, would involve unreasonable delay or would
988 require the converting company to incur unreasonable costs; provided,
989 however, that any such person shall receive their consideration in cash;
990 and, provided further, in the instance of a plan of conversion in which
991 the appropriate consideration received by persons under subsection (f)
992 of this section is stock of a corporation in a transaction authorized
993 under this section, or other consideration as approved by the
994 commissioner or, without limiting the generality of the foregoing, as
995 permitted under this paragraph, the plan of conversion shall provide
996 either (1) that no member or person holding equity rights shall have
997 any preemptive right to acquire any of the proposed capital stock of
998 the converted holding company or of the proposed parent or other
999 corporation, or (2) for preemptive rights on such other terms as
1000 approved by the commissioner. Notwithstanding the provisions of this
1001 subsection, the commissioner shall have the authority to disapprove
1002 such plan in accordance with the provisions of subdivision (2) of
1003 subsection (b) of this section.

1004 (h) The person eligible to participate in the distribution of
1005 consideration and to purchase stock shall be the person whose name
1006 appears on the conversion date on the mutual holding company's
1007 records as a person holding equity rights on both December thirty-first
1008 immediately preceding the conversion date and the date the mutual
1009 holding company's board of directors first voted to convert to stock
1010 form.

1011 (i) Shares are to be offered to persons holding equity rights at a price
1012 not greater than to be thereafter offered under the plan of conversion
1013 to others.

1014 (j) Such plan shall provide for payment to each person holding
1015 equity rights of consideration which may consist of cash, securities, a

1016 certificate of contribution, additional insurance under policies issued
1017 by a reorganized insurer or other consideration or any combination of
1018 such forms of consideration.

1019 (k) The commissioner shall find that the mutual holding company's
1020 management has not, through reduction in volume of new business
1021 written or cancellation by a reorganized insurer, or through any other
1022 means, sought to reduce, limit or affect the number or identity of the
1023 mutual holding company's members or persons holding equity rights
1024 to be entitled to participate in such plan or to otherwise secure for the
1025 individuals comprising management any unfair advantage through
1026 such plan.

1027 (l) Nothing in this section shall be deemed to prohibit the inclusion
1028 in the plan of conversion of provisions under which the individuals
1029 comprising the management and employee group of the mutual
1030 holding company, reorganized insurer or an intermediate stock
1031 holding company shall be entitled to purchase for cash at the same
1032 price as offered to persons holding equity rights, shares of stock not
1033 taken by persons holding equity rights on the preemptive offering to
1034 persons holding equity rights, in accordance with such reasonable
1035 classification of such individuals as may be included in the plan of
1036 conversion and approved by the commissioner.

1037 (m) The plan of conversion may also include provisions restricting
1038 the ability of any person or persons acting in concert from directly or
1039 indirectly offering to acquire or acquiring the beneficial ownership of
1040 ten per cent or more of any class of voting stock of the converted
1041 holding company or the parent corporation or other corporation.

1042 (n) No director, officer, agent or employee of the mutual holding
1043 company, or any other person, shall receive any fee, commission or
1044 other valuable consideration whatsoever, other than his usual regular
1045 salary and compensation, for in any manner aiding, promoting or
1046 assisting in such conversion, except as set forth in the plan of

1047 conversion approved by the commissioner. This provision shall not be
1048 deemed to prohibit the payment of reasonable fees and compensation
1049 to attorneys at law, accountants and actuaries for services performed
1050 in the independent practice of their professions, even though they may
1051 be directors of the mutual holding company.

1052 Sec. 17. (NEW) (*Effective from passage*) The commissioner may adopt
1053 regulations in accordance with the provisions of chapter 54 of the
1054 general statutes as deemed necessary to implement the provisions of
1055 sections 1 to 18, inclusive, of this act.

1056 Sec. 18. (NEW) (*Effective from passage*) All information, documents,
1057 and copies of such information and documents obtained by or
1058 disclosed to the commissioner or any other person in the course of
1059 preparing, filing, and processing an application to reorganize pursuant
1060 to sections 1 to 18, inclusive, of this act other than information or
1061 documents distributed to members or policyholders or filed or
1062 submitted as evidence in connection with the public hearing under
1063 sections 1 to 18, inclusive, of this act shall (1) be confidential by law
1064 and privileged, (2) not be subject to disclosure under section 1-210 of
1065 the general statutes, (3) not be subject to subpoena, and (4) not be
1066 subject to discovery or admissible in evidence in any civil action. The
1067 commissioner shall not make such information, documents and copies
1068 public without the prior written consent of the insurer to which it
1069 pertains unless the commissioner, after giving the insurer and its
1070 affiliates who would be affected thereby notice and opportunity to be
1071 heard, determines that the interests of policyholders, security holders
1072 or the public will be served by the publication of such information,
1073 documents, and copies, in which event the commissioner may publish
1074 all or any part of such information, documents, and copies in such
1075 manner as the commissioner may deem appropriate. The
1076 commissioner may use such information, documents and copies in the
1077 furtherance of any regulatory or legal action brought as part of the
1078 commissioner's official duties.

1079 Sec. 19. (NEW) (*Effective from passage*) As used in this section and
1080 sections 20 to 27, inclusive, of this act:

1081 (1) "Alien insurer" has the same meaning as provided in section 38a-
1082 1 of the general statutes.

1083 (2) "Authorized control level risk-based capital" means the number
1084 determined under the risk-based capital formula in accordance with
1085 the provisions of subsection (d) of section 38a-72 of the general statutes
1086 and the regulations adopted pursuant thereto.

1087 (3) "Commissioner" means the Insurance Commissioner.

1088 (4) "Domestication" means the reorganization of the United States
1089 branch of an alien insurer as the result of which a domestic insurer
1090 shall succeed to all the business and assets and assume all the liabilities
1091 of the United States branch of the alien insurer.

1092 (5) "State" means any state, commonwealth, territory or possession
1093 of the United States and the District of Columbia.

1094 (6) "Trusted assets" means the assets in a trust account required by
1095 section 22 of this act.

1096 (7) "Trusted surplus" means the aggregate value of the alien
1097 insurer's general state deposits and trusted assets deposited with a
1098 trustee in compliance with section 23 of this act, plus accrued
1099 investment income thereon where such interest is collected by the
1100 states for trustees, less the aggregate net amount of all of the insurer's
1101 reserves and other liabilities in the United States as determined in
1102 accordance with section 24 of this act.

1103 (8) "United States" means the several states, commonwealths,
1104 territories and possessions of the United States of America and the
1105 District of Columbia.

1106 (9) "United States branch" means the business unit through which

1107 business is transacted within the United States by an alien insurer and
1108 the assets and liabilities of the insurer within the United States
1109 pertaining to such business.

1110 Sec. 20. (NEW) (*Effective from passage*) Sections 19 to 27, inclusive, of
1111 this act applies to a United States branch using this state as a state of
1112 entry to transact insurance in the United States. The United States
1113 branch shall be subject to all state laws applicable to an insurer
1114 domiciled in this state, including sections 38a-47 and 38a-48 of the
1115 general statutes, unless otherwise provided.

1116 Sec. 21. (NEW) (*Effective from passage*) (a) An alien insurer may use
1117 this state as a state of entry to transact insurance in the United States
1118 through a United States branch by:

1119 (1) Qualifying as an insurer licensed to do business in this state; and

1120 (2) Establishing trust accounts, pursuant to trust agreements
1121 approved by the commissioner with a United States financial
1122 institution as defined in section 38a-87 of the general statutes, in an
1123 amount at least equal to the minimum capital and surplus or
1124 authorized control level risk-based capital, whichever is greater,
1125 required to be maintained by a domestic insurer licensed for the same
1126 kind of insurance.

1127 (b) Before authorizing the entry of a United States branch of any
1128 alien insurer through this state, the commissioner shall in addition to
1129 the requirements of section 23 of this act and any other requirement of
1130 the insurance law, require the alien insurer to:

1131 (1) Comply with the requirements of section 38a-41 of the general
1132 statutes;

1133 (2) Submit an English language translation, as necessary, of any of
1134 the documents required in subdivision (1) of this subsection; and

1135 (3) Submit to an examination of the insurer's affairs at its principal

1136 office within the United States; provided however, the commissioner
1137 in his or her discretion may accept a report of the insurance
1138 supervisory official of the insurer's home jurisdiction.

1139 Sec. 22. (NEW) (*Effective from passage*) The trusteed assets, or the
1140 assets of the trust account of an alien insurer, as required by section 21
1141 of this act, shall at all times be in an amount equal to the United States
1142 branch's reserves and other liabilities plus the minimum capital and
1143 surplus or authorized control level risk-based capital, whichever is
1144 greater, required to be maintained by a domestic insurer licensed to do
1145 the same kind of insurance.

1146 Sec. 23. (NEW) (*Effective from passage*) (a) The terms of the trust
1147 agreement required by section 21 of this act shall be set forth in a deed
1148 of trust. The deed of trust and all subsequent amendments shall be
1149 authenticated in a form and manner as the commissioner may
1150 prescribe and shall not be effective unless approved by the
1151 commissioner upon a finding that:

1152 (1) A deed of trust or its amendments are sufficient in form and in
1153 conformity with law;

1154 (2) The trustee or trustees are eligible as such; and

1155 (3) The deed of trust is adequate to protect the interests of the
1156 beneficiaries of the trust.

1157 (b) If at any time after reasonable notice and hearing, the
1158 commissioner finds that the requisites for the approval no longer exist,
1159 the commissioner may withdraw approval.

1160 (c) The commissioner may approve modifications of, or variations in
1161 any deed of trust, which in the commissioner's judgment are not
1162 prejudicial to the interests of the people of this state or policyholders
1163 and creditors in the United States, of the United States branch.

1164 (d) The deed of trust shall contain provisions that:

1165 (1) Vest legal title to trustee assets in the trustee or trustees, and
1166 their lawfully appointed successors;

1167 (2) Require that all assets deposited in the trust shall be
1168 continuously kept within the United States;

1169 (3) Provide for substitution of a new trustee or trustees in case of a
1170 vacancy by death, resignation, or otherwise, subject to the approval of
1171 the commissioner;

1172 (4) Require that the trustee or trustees shall continuously maintain a
1173 record at all times sufficient to identify the assets of such fund;

1174 (5) Require that the trustee assets shall consist of cash or
1175 investments, or both, as eligible for investment of the funds of
1176 domestic insurers and accrued interest thereon if collectable by the
1177 trustee;

1178 (6) Require that the trust shall be for the exclusive benefit, security,
1179 and protection of the policyholders, or policyholders and creditors in
1180 the United States, of the United States branch;

1181 (7) Require that the trust shall be maintained as long as there is any
1182 outstanding liability of the alien insurer arising out of its insurance
1183 transactions in the United States; and

1184 (8) Provide, in substance, that no withdrawals of assets, other than
1185 income as specified in subsection (e) of this section shall be made or
1186 permitted by the trustee or trustees without the approval of the
1187 commissioner except to:

1188 (A) Make deposits required by law in any state for the security or
1189 benefit of all policyholders, or policyholders and creditors in the
1190 United States, of the United States branch;

1191 (B) Substitute other assets permitted by law and at least equal in
1192 value and quality to those withdrawn, upon the specific written

1193 direction of the United States branch manager when duly empowered
1194 and acting pursuant to either general or specific written authority
1195 previously given or delegated by the board of directors; or

1196 (C) Transfer such assets to an official liquidator or rehabilitator
1197 pursuant to an order of a court of competent jurisdiction.

1198 (e) The deed of trust may provide that income, earnings, dividends,
1199 or interest accumulations of the assets of the fund may be paid over to
1200 the United States branch manager of the United States branch upon
1201 request; provided that the total trustee assets shall not be less than
1202 the amount required to be maintained pursuant to section 22 of this
1203 act.

1204 (f) Upon withdrawal of trustee assets deposited in another state in
1205 which the insurer is authorized to do business, it shall be sufficient if
1206 the deed of trust requires similar written approval of the insurance
1207 supervising official of that state in lieu of approval of the
1208 commissioner provided that the total trustee assets shall not be less
1209 than the amount required to be maintained pursuant to section 22 of
1210 this act. In all such cases, the United States branch shall notify the
1211 commissioner in writing of the nature and extent of the withdrawal.

1212 (g) The commissioner may:

1213 (1) Make examinations of the trustee assets of any authorized
1214 United States branch at the insurer's expense; and

1215 (2) Require the trustee or trustees to file a statement, in such form as
1216 the commissioner may prescribe, certifying the assets of the trust fund
1217 and the amounts thereof.

1218 (h) Refusal or neglect of any trustee to comply with this section shall
1219 be grounds for the revocation of the insurer's license or the liquidation
1220 of its United States branch.

1221 Sec. 24. (NEW) (*Effective from passage*) (a) In addition to other

1222 requirements of sections 20 to 27, inclusive, of this act and other
1223 applicable provisions of title 38a of the general statutes, every
1224 authorized United States branch shall, not later than the first day of
1225 March in each year and forty-five days after the end of each of the first
1226 three calendar-year quarters, file with the commissioner and with the
1227 National Association of Insurance Commissioners:

1228 (1) Annual and quarterly statements of the business transacted
1229 within the United States and the assets held by or for it within the
1230 United States for the protection of policyholders and creditors within
1231 the United States, and of the liabilities incurred against such assets.
1232 The forms shall not contain any statement in regard to its assets and
1233 business elsewhere. The statements shall be in the same format
1234 required of an insurer domiciled in Connecticut and licensed to write
1235 the same kinds of insurance; and

1236 (2) A statement of trustee surplus, in such form as the
1237 commissioner may prescribe, as of the end of the same period covered
1238 by the statement filed pursuant to subdivision (1) of this subsection. In
1239 determining the net amount of the United States branch's liabilities in
1240 the United States to be reported in the statement of trustee surplus,
1241 the United States branch shall make adjustments to total liabilities
1242 reported on the accompanying annual or quarterly statement as
1243 follows:

1244 (A) Add back liabilities used to offset admitted assets reported in
1245 the accompanying quarterly or annual statement; and

1246 (B) Deduct:

1247 (i) Unearned premiums on agent's balances or uncollected
1248 premiums not more than ninety days past due not exceeding unearned
1249 premium reserves carried thereon;

1250 (ii) Reinsurance on losses with authorized insurers, less unpaid
1251 reinsurance premiums;

1252 (iii) Reinsurance recoverables on paid losses from unauthorized
1253 insurers that are included as assets in the annual or quarterly
1254 statement; but only to the extent a liability for such unauthorized
1255 recoverables is included in the liabilities report in the trusted surplus
1256 statement;

1257 (iv) Special state deposits held for the exclusive benefit of
1258 policyholders, or policyholders and creditors, of any particular state
1259 not exceeding net liabilities reported for that state;

1260 (v) Secured accrued retrospective premiums;

1261 (vi) If a life insurer, the amount of its policy loans to policyholders
1262 within the United States, not exceeding the amount of legal reserve
1263 required on each such policy;

1264 (vii) If a life insurer, the net amount of uncollected and deferred
1265 premiums; and

1266 (viii) Any other nontrusted asset that the commissioner determines
1267 secures liabilities in a substantially similar manner; and

1268 (3) Provide any additional information that the commissioner may
1269 require relating to the total business or assets, or any portion thereof,
1270 of the alien insurer.

1271 (b) The annual statement and trusted surplus statement shall be
1272 signed and verified by the United States branch manager, attorney-in-
1273 fact, or a duly empowered assistant United States branch manager, of
1274 the United States branch. The items of securities and other property
1275 held under trust deeds shall be certified in the trusted surplus
1276 statement by the United States trustee or trustees.

1277 (c) Every report on examination of a United States branch shall
1278 include a trusted surplus statement as of the date of examination in
1279 addition to the general statement of the financial condition of the
1280 United States branch.

1281 Sec. 25. (NEW) (*Effective from passage*) (a) Before issuing any new or
1282 renewal license to any United States branch, the commissioner may
1283 require satisfactory proof, either in the alien insurer's charter or by an
1284 agreement evidenced by a duly certified resolution of its board of
1285 directors, or otherwise as the commissioner may require, that the
1286 insurer will not engage in any insurance business in contravention of
1287 this section or not authorized by its charter.

1288 (b) The commissioner shall issue a renewal license to any United
1289 States branch if satisfied, by such proof as required, that the insurer is
1290 not delinquent with respect to any requirement imposed by this act
1291 and that its continuance in business in this state will not be hazardous
1292 or prejudicial to the best interests of the people of this state.

1293 (c) No United States branch shall be licensed to do any kind of
1294 insurance business in this state, or any combination of kinds of
1295 insurance business, that are not permitted to be done by domestic
1296 insurers licensed to do business under section 38a-41 of the general
1297 statutes. No United States branch shall be authorized to do an
1298 insurance business in this state if it does anywhere within the United
1299 States any kind of business other than an insurance business and the
1300 business necessarily or properly incidental to the kind or kinds of
1301 insurance business that it is authorized to do in this state.

1302 (d) Except as otherwise specifically provided, no United States
1303 branch, entering through this state or another state, shall be or
1304 continue to be authorized to do an insurance business in this state if it
1305 fails to comply substantially with any requirement or limitation of this
1306 act, applicable to similar domestic insurers hereafter organized, which
1307 in the judgment of the commissioner is reasonably necessary to protect
1308 the interest of the policyholders.

1309 (e) No United States branch that, outside of this state, does any kind
1310 or combination of kinds of insurance business not permitted to be
1311 done in this state by similar domestic insurers hereafter organized,

1312 shall be or continue to be authorized to do an insurance business in
1313 this state, unless in the judgment of the commissioner the doing of that
1314 kind or combination of kinds of insurance business will not be
1315 prejudicial to the best interests of the people of this state.

1316 (f) No United States branch shall be or continue to be authorized to
1317 do an insurance business in this state if it fails to keep full and correct
1318 entries of its transactions, which shall at all times be open to the
1319 inspection of persons invested by law with the rights of inspection and
1320 be maintained in its principal office within this state.

1321 Sec. 26. (NEW) (*Effective from passage*) Whenever it appears to the
1322 commissioner from any annual statement, quarterly statement,
1323 trustee's surplus statement, or any other report that a United States
1324 branch's trustee's surplus is reduced below minimum capital and
1325 surplus or the authorized control level risk-based capital, whichever is
1326 greater, required to be maintained by a domestic insurer licensed to
1327 transact the same kinds of insurance, the commissioner may proceed
1328 against the insurer pursuant to the provisions of chapter 704c of the
1329 general statutes as an insurer whose condition is such that its further
1330 transaction of business in the United States will be hazardous to its
1331 policyholders, its creditors or the public in the United States.

1332 Sec. 27. (NEW) (*Effective from passage*) (a) Upon compliance with the
1333 provisions of this section any alien company authorized to do business
1334 in this state may, with the prior written approval of the commissioner,
1335 domesticate its United States branch by entering into an agreement in
1336 writing with a domestic company providing for the acquisition by the
1337 domestic company of all of the assets and the assumption of all of the
1338 liabilities of the United States branch. The acquisition of assets and
1339 assumption of liabilities of the United States branch by the domestic
1340 company shall be effected by filing with the commissioner an
1341 instrument of transfer and assumption in form satisfactory to the
1342 commissioner and executed by the alien company and the domestic
1343 company.

1344 (b) The domestication agreement referred to in subsection (a) of this
1345 section shall be authorized, adopted, approved, signed, and
1346 acknowledged by the alien company in accordance with the laws of
1347 the country under which it is organized. In the case of a domestic
1348 company, the domestication agreement shall be approved, adopted,
1349 and authorized by its board of directors and executed by its president
1350 or any vice president and attested by its secretary or assistant secretary
1351 under its corporate seal.

1352 (c) An executed counterpart of the domestication agreement,
1353 together with certified copies of the corporate proceedings of the
1354 domestic company and the alien company, approving, adopting and
1355 authorizing the execution of the domestication agreement, shall be
1356 submitted to the commissioner for approval. The commissioner shall
1357 thereupon consider the agreement, and, if the commissioner finds that
1358 the same is in accordance with the provisions hereof and that the
1359 interests of policyholders of the United States branch of the alien
1360 insurer and of the domestic company are not materially adversely
1361 affected, the commissioner shall approve the domestication agreement
1362 and authorize the consummation thereof in compliance with the
1363 provisions of subsection (d) of this section. The commissioner shall
1364 approve or disapprove the domestication agreement within sixty days
1365 after it is submitted to the commissioner.

1366 (d) (1) Upon the filing with the commissioner of a certified copy of
1367 the instrument of transfer and assumption pursuant to which a
1368 domestic company succeeds to the business and assets of the United
1369 States branch of an alien company and assumes all its liabilities, the
1370 domestication of the United States branch shall be deemed to be
1371 effective; and thereupon all the rights, franchises, and interests of the
1372 United States branch in and to every species of property, real,
1373 personal, and mixed, and things in actions thereunder belonging shall
1374 be deemed as transferred to and vested in the domestic company, and
1375 simultaneously therewith the domestic company shall be deemed to
1376 have assumed all of the liabilities of the United States branch. The

1377 domestic company shall be considered as having the age as the oldest
 1378 of the two parties to the domestication agreement for purposes of
 1379 complying with the requirements of laws relating to age of company.

1380 (2) All deposits of the United States branch held by the
 1381 commissioner, or by state officers or other state regulatory agencies
 1382 pursuant to requirements of state laws, shall be deemed to be held as
 1383 security for the satisfaction by the domestic company of all liabilities to
 1384 policyholders within the United States assumed from the United States
 1385 branch; and such deposits shall be deemed to be assets of the domestic
 1386 company and shall be reported as such in the annual financial
 1387 statements and other reports which the domestic company may be
 1388 required to file. Upon the ultimate release by any such state officer or
 1389 agency of any such deposits, the securities and cash constituting such
 1390 released deposit shall be delivered and paid over to the domestic
 1391 company as the lawful successor in interest to the United States
 1392 branch.

1393 (3) Contemporaneously with the consummation of the
 1394 domestication of the United States branch, the commissioner shall
 1395 direct the trustee, if any, of the United States branch's trustee assets to
 1396 transfer and deliver to the domestic company all assets, if any, held by
 1397 such trustee.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	New section

Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>from passage</i>	New section
Sec. 14	<i>from passage</i>	New section
Sec. 15	<i>from passage</i>	New section
Sec. 16	<i>from passage</i>	New section
Sec. 17	<i>from passage</i>	New section
Sec. 18	<i>from passage</i>	New section
Sec. 19	<i>from passage</i>	New section
Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>from passage</i>	New section
Sec. 22	<i>from passage</i>	New section
Sec. 23	<i>from passage</i>	New section
Sec. 24	<i>from passage</i>	New section
Sec. 25	<i>from passage</i>	New section
Sec. 26	<i>from passage</i>	New section
Sec. 27	<i>from passage</i>	New section

Statement of Purpose:

To implement the Governor's budget recommendations.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]